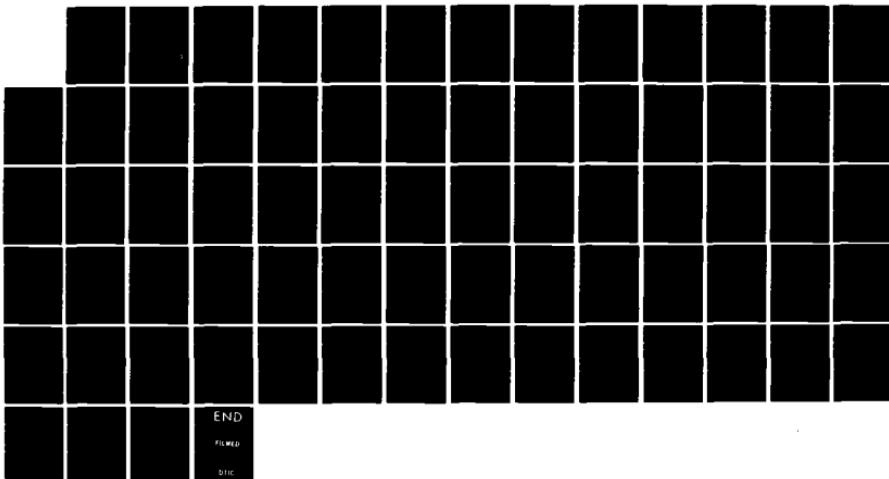


AD-A151 988 A PACIFIC BASIN APPROACH TO TRADE NEGOTIATIONS: A STUDY 1/1  
OF OVERLAPPING NATIONAL INTERESTS(U) DEPARTMENT OF  
STATE WASHINGTON DC OFFICE OF EXTERNAL RESEARCH.

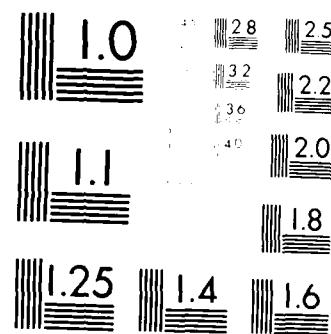
UNCLASSIFIED M BORTHWICK 24 JAN 85 FAR-116-84 F/G 5/4 NL



END

FILMED

DIC



MICROCOPY RESOLUTION TEST CHART  
Nikon NA<sub>1</sub>, 10x eyepiece, 10x 10x objective, 10x 10x ocular

(2)  
44

AD-A151 988

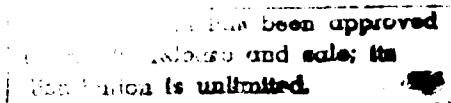
A PACIFIC BASIN APPROACH TO TRADE NEGOTIATIONS:A STUDY OF OVERLAPPING NATIONAL INTERESTS

Final Report submitted to  
 Office of Long Range Assessments and Research  
 U.S. Department of State  
 In partial fulfillment of Contract 1722-420116

January 24, 1985

DTIC FILE COPY  
DUO

Mark Borthwick  
 1755 Massachusetts Ave. N.W.  
 Suite 420  
 Washington, D.C. 20036  
 [202] 745-7444



This paper was prepared for the Department of State as part of its external research program. Views or conclusions contained herein should not be interpreted as representing the official opinion or policy of the Department of State.

85 02 11 162

### ACKNOWLEDGEMENT

This report is the outcome of a study undertaken by the Pan-Pacific Community Association under a contract with the Department of State. It has been greatly assisted by the research and writing of Dr. Lawrence Krause, Senior Fellow, The Brookings Institution, as well as by Ms. Diane Charnov of Brookings who conducted the interviews of U.S. government officials and provided background research. I am indebted to them for their comments and information. The positions and opinions expressed herein are, however, my responsibility alone and should not be attributed to the members or officers of any organization or agency.

Mark Borthwick

Accession For	
NTIS GRA&I	<input checked="" type="checkbox"/>
DTIC TAB	<input type="checkbox"/>
Unannounced	<input type="checkbox"/>
Justification	<i>per</i>
By _____	
Distribution/ _____	
Availability Codes _____	
Dist	Avail and/or Special
A-1	



## CONTENTS

### PART I.

I. INTRODUCTION	
A. Purpose and Rationale	1
B. Global vs. Regional Arrangements	2
C. Countries Treated	2
II. BACKGROUND	
A. The Changing Pacific Basin Economy	3
B. Proposals for Regional Economic Cooperation	4
III. PACIFIC - LED INITIATIVES TOWARD A NEW MTN ROUND	6

### PART II.

IV. REGIONAL SURVEY OF TRADE NEGOTIATIONS ISSUES	9
PACIFIC DEVELOPED/DEVELOPING COUNTRY PRIORITIES	37
IMPORTERS VS. EXPORTERS OF RAW MATERIALS	38
V. CONCLUSION: OPTIONS FOR TRADE NEGOTIATIONS	43
VI. SUMMARY	47
NOTES	48
APPENDIX 1. CHRONOLOGY OF PROPOSALS FOR A NEW MTN	49
APPENDIX 2. U.S. GOVERNMENTAL PRIORITIES FOR A NEW MTN: AN INFORMAL SURVEY	51
APPENDIX 3. PROPOSED REGIONAL SATELLITE SYSTEM	59
APPENDIX 4. PROPOSED MINERALS AND ENERGY FORUM	62

## PART I.

### I. INTRODUCTION

#### A. Purpose and Rationale

The aim of this research is to identify areas of overlapping national interest among Pacific Basin countries regarding multilateral trade and investment issues. It focuses on attitudes towards and interests in a new round of multilateral trade negotiations (MTN) as identified by a regional survey of government leaders, businessmen and academic experts. In a concluding section, the survey results and their implications for U.S. strategy and goals in a new MTN round are discussed.

The study focuses on a new MTN for the following reasons:

First, support for a new MTN round appears to be stronger in the Pacific region than elsewhere. Along with President Reagan, the heads of state in Japan and Australia have strongly endorsed the idea of a new round. Korea presently is leading an effort to explore MTN issues regionally under the aegis of the Pacific Economic Cooperation Conference (PECC -- see below). Elsewhere, the extent of support is less apparent.

Second, the trade-dependent nations of the Pacific Basin have an especially large stake in a stable and expanding global trading system and a commensurate interest in preserving and if possible improving upon an agreed set of rules for the maintenance of that system, i.e., the General Agreement on Tariffs and Trade (GATT).

Third, among the various proposals for regional economic cooperation, the area of trade negotiations appears to be the most timely and realistic in terms of

substantive governmental action over the next several years.

B. Global vs. Regional Agreements

This research assumes that efforts to build upon mutual Pacific Basin interests in a new MTN round would also support U.S. (and other Pacific nations') global objectives toward a more open global trading system. Although academic and journalistic speculation in the past has sometimes entertained the prospect of a "Pacific Community" which would be similar to (and discriminatory against) the EEC, there are no indications that this view is being entertained or is viewed as desirable by Pacific governments. On the other hand, as discussed in the concluding section, regional efforts to pursue trade liberalization within a GATT framework may serve as a stimulus toward broader arrangements as well.

C. Countries Treated

The terms "Pacific Basin" and "Pacific Rim" are often used to refer to the nations of the Pacific Ocean littoral and the Pacific Islands. For purposes of this analysis, however, the relevant economies include only those most actively engaged in trade with more than one or two countries of the region. All are market-oriented and all but Taiwan are signatories to the GATT. The grouping consists of the ASEAN nations except Brunei (Indonesia, Malaysia, Philippines, Singapore, Thailand) plus Australia, Canada, Japan, Korea, New Zealand, Taiwan and the United States. Brunei's exclusion was due to the difficulty in obtaining the necessary data from that country.

## II. BACKGROUND

### A. The Changing Pacific Basin Economy: Emerging Tensions

One of the most often-cited facts about the Pacific region, particularly with reference to the Western Pacific, is its rapid economic growth over the past decade and a half. In the face of a slowdown in most Western industrial countries in the 1980-82 period, for example, many Pacific nations, particularly the Western Pacific, maintained strong growth, albeit with some slowing caused by economic stagnation elsewhere.

A key factor in this sustained growth has been the high dependence on intra-regional trade for each of the countries concerned. In most cases, the countries have been able to use their close interdependence to benefit from one another's growth. Japan and the United States have played especially important, though differing, roles in this regard with Japan accounting for heavy imports of raw materials and the United States serving as a major market for (as well as exporter of) manufactures.

Other factors include the adoption of export-oriented economic strategies by Asian nations which have permitted larger production for economies of scale and, concomitantly, structural adjustment strategies that have allowed several of these countries to move into the rapid growth areas of world markets, to continue to compete effectively in slower growth areas, and to flexibly adapt this mix to changing global circumstance. Those nations currently with less capacity for specialization in manufactures are for the most part endowed with significant natural resources and this too has contributed to regional specialization and trade

based on comparative advantages.

While it has been a key contributor to regional economic growth, Japan now is emerging as a central "problem" as well. The issues are summarized in a recent study by a Pacific regional task force <sup>1</sup>

In 1970, Japan's manufactures exports to the Asian NICs and the ASEAN 4 countries were more than twice those of the U.S. In contrast, Japan imported 80% less than the U.S. from the Asian NICs and the ASEAN 4 countries. By 1979, this situation had changed only marginally... These observations reflect two aspects of the Japanese economy: one, the high savings propensity and, the other, the high degree of self-sufficiency in manufactured products.

Japan's self-sufficiency in manufacturing has been decreasing, but only very gradually. Japan's self-sufficient industrial structure not only impedes the expansion of regional trade in manufactured goods but also creates special problems for the developing countries in the region as they experience rapid changes in their comparative advantage. Self-sufficiency in an industry obstructs intra-industrial trade. Japan's self-sufficiency in those skill and technology-intensive industries in which the Asian NICs are gaining comparative advantage restrains the scope of the NIC's export expansion in Japan's domestic markets. This self-sufficiency encourages Japan's export competitiveness in these industries and thus restrains the scope of the NIC's export expansion in third-country markets as well. This in turn will limit the growth of the ASEAN 4's manufactures exports.

As will be seen below, the need to open up the Japanese market -- not only in manufactures but also in agricultural goods -- is viewed by many Pacific nations as one of the priority areas for future trade negotiations.

#### B. Proposals for Regional Economic Cooperation

Although Japan may prove to be an obstacle in further structural adjustments in the Pacific, it is worth noting that the initial suggestion for Pacific economic cooperation came from Japan. In 1965, Kiyoshi Kojima of Hitotsubashi University

proposed the creation of a "Pacific Free Trade Area (PAFTA)" comprising primarily the region's developed economies, and this became part of Foreign Minister Takeo Miki's "Asian Pacific Policy" two years later. The original Japanese interest appears to have been motivated by a concern over the rising economic power of the EEC. In any case, such proposals were soon abandoned as impractical or at best premature.

Later suggestions by Japanese and others have emphasized cooperation along functional lines, without discriminatory intent, under the aegis of a regional forum and/or research agency. While formal intergovernmental arrangements have so far been rejected, a series of region-wide conferences has emerged which seems to be filling the need for a non-governmental forum. Begun in 1980 in Canberra at the suggestion of Japan's Prime Minister Masayoshi Ohira and Australia's Prime Minister Malcolm Fraser, these "Pacific Economic Cooperation Conferences" (PECC) have served as a platform for regional cooperative research and discussion. At the same time, they have given government leaders an opportunity to informally present their views to one another and to hear those of the business and research participants.

The next meeting of the PECC, involving all the entities included in the present study, will be held in Seoul, April 29-May 1, 1985. The central topic for discussion will be regional interests in trade negotiations. A PECC Task Force has conducted a regional survey on the issues and will report the results in summary form. The research reported herein draws upon this data but goes beyond the Task Force Report to examine specific overlapping national interests in trade issues. In addition, it provides an informal survey of U.S. government agency positions on these issues.

Other areas being considered by the PECC include (1) a proposal for a regional minerals and energy forum, (2) possible cooperation in Pacific fisheries management, (3) regional transfers of technology as promoted by direct foreign investment, and (4) capital flows and financial services. Each of these areas is the subject of a summary report by Task Forces to be made available to the regional meeting. The only short-term prospect for cooperation in these areas is the minerals and energy forum, described in Appendix 4. Of additional interest is the enhancement of trade and information flows through advanced regional communications. One such proposal, a regional satellite communications system, is summarized in Appendix 3.

### III. PACIFIC-LED INITIATIVES TOWARD A NEW MTN ROUND

The General Agreement on Tariffs and Trade has long been criticized for having failed to meet the original expectations of its founders. Indeed, the GATT was intended as a temporary arrangement before a more inclusive set of rules could be arrived at for global trade. While it is beyond the scope of the current study to assess the overall merits and current "state of health" of the GATT, its value to world commerce has been and continues to be significant.

1979 brought to a close the seventh and most recent round of multilateral trade negotiations, commonly referred to as the Tokyo Round. Spanning a six-year period, the Tokyo Round marked a departure from its predecessor rounds in that it addressed issues of non-tariff barriers as well as tariff barriers; most notably through its Codes of Conduct such as those on Subsidies and Government Procurement.

While the Tokyo round was ambitious in its goal of addressing the "new protectionism," many criticized it for failing to address some of the most urgent problems such as the need to revise Article XIX on safeguards, deal with "voluntary export restraints" and "orderly marketing agreements," bring agriculture more fully within the GATT discipline, or extend the GATT to cover new areas such as service trade or high-technology. It was these issues which formed the nucleus around which discussions for a new round of multilateral trade negotiations grew.

The calls for a new and eighth round of talks began to emerge in the aftermath of the November 1982 GATT Ministerial meeting. The first suggestion came from Prime Minister Fraser of Australia at the close of the meeting. His suggestion, however, met with little enthusiasm. Although the 1982 Ministerial was viewed by many as having been a failure, it gave impetus to the idea of a future MTN. Subsequent to the MTN proposals from Fraser, an initiative came from Prime Minister Nakasone on a visit to the United States. Several months after this proposal, at the occasion of the 9th annual economic Summit Meeting in Williamsburg, President Reagan endorsed the Nakasone initiative.

Their suggestion was followed later that year by a proposal from Prime Minister Hawke of Australia. As opposed Fraser's earlier suggestion, Hawke's proposal attracted considerably more attention. Not only did he call for a new trade round, he proposed that the initiative for such a round come from the Asia-Pacific region<sup>2</sup>. He took this step on November 22, 1983 in a speech to the Australian-Thai Chamber of Commerce in Bangkok, where he suggested that:

Australia, for its part, would strongly support a new round of multilateral trade negotiations, but only if it was confident that it would address seriously and effectively those matters of special importance to Australia, New Zealand, and our developing country neighbors in the Asia Pacific region. The chances for achieving an appropriately structured round of negotiations would be greatly enhanced if the countries of this region were to apply their full and united weight to its achievement.<sup>3</sup>

He went on to note issues of particular concern for the agenda of a future MTN. These included "agricultural commodities and, for ASEAN members, labour intensive exports such as textiles, clothing and footwear."<sup>4</sup>

Whereas the rationale for the previous proposals had focused on the deficiencies of the Tokyo Round, or the GATT Ministerial, Hawke's proposal added a new element: that of an Asia-Pacific regional initiative. This added element seemed to grow out of a loss of confidence or dissatisfaction with the way the world's major powers were handling matters of international trade, a theme that is evident in the same speech where he stated, "The major established trading powers have never seemed less able to formulate policies which will improve the trading environment.

We in the region, therefore, owe it to ourselves to fill the vacuum."<sup>5</sup> Indeed, Hawke's initiative led to a meeting of Western Pacific trade officials in Bali the following April for the expressed purpose of discussing their mutual interests in a new negotiating round. Both the United States and Canada were initially invited to the meeting, but were later "dis-invited" for reasons that were never made public. A Western Pacific rather than Pacific Basin bias may continue to linger with the Australian proposal. Early in 1984, Hawke favored a trading arrangement between the Western Pacific countries "consistent with our present multilateral obligations." Countries that would be involved might include South Korea, Japan, ASEAN, New

Zealand and Australia, "but this talk of a regional arrangement is very much a fallback position. Our emphasis is on trying to get a new MTN round focusing on issues of concern to us."<sup>6</sup>

Meanwhile, support for a new MTN was expressed again at the OECD Ministerial in May, 1984 and soon thereafter at the London Summit. The extent of genuine EC support remains in doubt, however, and until very recently discussions have dealt more with the fact of a new round rather than the issues for its agenda. The 1984 annual GATT meeting in Geneva saw strains among member countries over the menu of items for such an agenda. A consensus was formed, however, among the U.S., EC, Canada and Japan in calling for a new MTN to begin with a preliminary planning meeting in mid-1985 and negotiations starting in 1986.

A chronology of these events is provided in Appendix 1.

## PART II.

### REGIONAL SURVEY OF TRADE NEGOTIATIONS ISSUES

During the summer of 1984, a Pacific Basin regional survey of business, government and academic experts was conducted by the Korea Development Institute to ascertain national and sectoral perspectives concerning priorities for a possible new MTN round. As noted above, the survey supported the work of the PECC Task Force on Trade Negotiations, but a specific breakdown of overlapping national interests in trade negotiations was not derived from the data.

A tabulation of national and sectoral responses is provided below. Some caveats

including processed resources, (#10) refers to countries which relate their trade or tariffs the degree of processing. Higher tariffs are placed on higher value-added goods in efforts to protect domestic industries. Such barriers are viewed by developing countries has impediments to their efforts to raise their level of industrialization. In particular, countries like the Philippines, Thailand, and Malaysia express concern with Japan over this practice.

Cartels in the market for primary products (#11) refers to the effort to control prices of different groups of commodities, such as rubber, tin and cocoa through agreements such as the International Tin Agreement, International Rubber Agreement, etc. These agreements operate in part by assigning export quotas to producer countries and are particularly important to developing countries, dependent on the earnings from the commodities. Cartel-like in that they are producer associations for the control of production, the conflicts between producer and consumer members and among producers fall outside the aegis of the GATT.

Since the 1960s, world trade in steel (#12) has been governed increasingly by non-GATT sanctioned mechanisms such as VERs. As the "temporary" quota arrangements threaten to become more permanent, the question arises of whether the system is moving toward an MFA-like arrangement. To the extent that the steel issue involves questions of safeguards and structural adjustment, it could, some say, be brought more fully within the scope of the GATT.

In the general areas of raw materials and steel trade, the survey indicates that agricultural and natural resource interests in the Pacific region are substantial enough to warrant serious consideration in trade negotiations. Cartels, on the other hand, are not a major concern as a negotiating matter nor is steel widely viewed as an issue to be raised in a new MTN round. The exceptions to the latter are

MEDIUM: Japan, United States, Canada, Malaysia, Thailand, Korea,  
Singapore

LOW: Australia, New Zealand, Indonesia, Philippines, Taiwan

Business Priorities

HIGH: Japan, Australia, Philippines

MEDIUM: United States, Canada, Indonesia, Malaysia, Thailand,  
Korea, Taiwan

LOW: New Zealand, Singapore

Research/Academic Priorities

HIGH: Indonesia, Malaysia

MEDIUM: Japan, United States, Australia, Thailand

LOW: Canada, New Zealand, Philippines, Singapore, Korea, Taiwan

IV. CATEGORIES 9 - 12:

- 9. Agricultural Products
- 10. Natural Resource Trade Restraints
- 11. Cartels for Primary Products
- 12. Steel

Agriculture (#9) has been largely left beyond the reach of the GATT since the 1950s when the U.S. obtained a waiver from GATT obligations in order to continue its domestic support policies. In the 1960s the EEC followed suit and established its own extensive Common Agricultural Policy (CAP). Agricultural protection is also an issue of concern throughout the Pacific. Although much of the focus has been on Japan's restrictions on beef and oranges, South Korea and Taiwan are also highly protectionist in this area.

The issue of tariff escalation and other trade restraints on natural resources,

area's developing and developed nations alike as key issues for a new MTN.

Priorities

7. Voluntary Export Restraints [VERs] and  
Orderly Marketing Arrangements [OMAs]

Government Priorities

HIGH: Japan, United States, Canada, Australia, New Zealand,  
Thailand, Korea, Taiwan, Singapore

MEDIUM: Indonesia, Philippines

LOW: Malaysia

Business Priorities

HIGH: Japan, United States, Canada, Australia, New Zealand,  
Indonesia, Philippines, Korea, Taiwan

MEDIUM: Malaysia, Thailand, Singapore

LOW: (None)

Academic/Research Priorities

HIGH: United States, Canada, New Zealand, Philippines,  
Malaysia, Thailand, Korea, Taiwan

MEDIUM: Japan, Australia, Singapore

LOW: Indonesia

8. Counter Trade

Government Priorities

HIGH: (None)

## 6. Safeguards

### Government Priorities

HIGH: Japan, United States, Canada, Australia, New Zealand, Philippines, Malaysia, Korea, Taiwan, Singapore

MEDIUM: Indonesia, Thailand

LOW: (None)

### Business Priorities

HIGH: United States, Australia, New Zealand, Indonesia, Korea

MEDIUM: Japan, Canada, Malaysia, Singapore, Taiwan

LOW: Philippines, Thailand

### Academic/Research Priorities

HIGH: Japan, United States, New Zealand, Indonesia, Thailand, Korea

MEDIUM: Canada, Australia, Philippines, Malaysia, Singapore, Taiwan

LOW: (None)

### III. CATEGORIES 7 - 8:

7. VERs and OMAs.
8. Counter Trade.

Among the non-tariff barriers to trade, VERs and OMAs (described above) evoked a stronger response than did obligatory counter trade arrangements. Apparently, counterpart trade (#8), where transactions are based on the exchange of goods rather than currency, still does not create sufficient trade distortions in the region to warrant a high priority. VERs and OMAs, by contrast, are viewed among the

Academic/Research Priorities

HIGH: Australia, Thailand, Philippines, Malaysia, Korea, Taiwan

MEDIUM: Japan, United States, Canada, New Zealand, Indonesia,

LOW: Singapore

5. Subsidies and Countervailing Duties

Government Priorities

HIGH: Japan, Canada, Australia, New Zealand, Indonesia,  
Philippines, Korea, Singapore

MEDIUM: United States, Malaysia, Thailand, Taiwan

LOW: (None)

Business Priorities

HIGH: Japan, United States, Canada, Australia, New Zealand,  
Indonesia, Singapore, Taiwan

MEDIUM: Philippines, Malaysia, Thailand, Korea

LOW: (None)

Academic/Research Priorities

HIGH: United States, Australia, New Zealand, Philippines,  
Malaysia, Singapore

MEDIUM: Japan, Canada, Indonesia, Thailand, Korea

LOW: Taiwan

products have been blocked on these grounds. Academic respondents from the developing countries gave this a higher priority, however.

Subsidies and countervailing duties, on the other hand, evoked one of the stronger responses. None of the government participants in the survey ranked this as a "Low" priority and only one respondent among all others gave it the low rank. Similarly, safeguards received a high to medium ranking from nearly all participants. The responses do seem to reflect, however, a slightly stronger emphasis among developed country respondents than those from developing countries. It may be that the latter foresee such negotiations as placing greater pressure on key export industries. The NICs, on the other hand, might welcome the clarification of rules and reduced uncertainties that could result.

## RESPONSES

### 4. Dumping and Anti-Dumping Duties

#### Government Priorities

HIGH: Korea

MEDIUM: Japan, Australia, Indonesia, Malaysia, Thailand, Taiwan, Singapore

LOW: United States, Canada, New Zealand, Philippines

#### Business Priorities

HIGH: Canada, Korea, Taiwan

MEDIUM: Japan, United States, Australia, New Zealand, Philippines

LOW: Indonesia, Malaysia, Thailand, Singapore

Defined as intentional price discrimination between national markets, dumping (#4) causes market disruption and injury to firms and workers in importing countries. It is condemned by the GATT in Article VI and the GATT permits, in some circumstances, the imposition of anti-dumping duties. The Tokyo Round addressed certain issues of dissatisfaction with Article VI, but several nations such as the U.S. feel that the Code of Conduct for this area remains too lenient.

Subsidies (Article XVI) and countervailing duties (Article VI) have been singled out in a world of growing governmental intervention in national economies. At its most basic level, the subsidies issue is one of definition: i.e., what really constitutes a subsidy? The GATT remains somewhat ambiguous in this area, making efforts to counteract the effects of subsidies by means of countervailing duties all the more difficult. The debate has become especially heated in high-technology industries and agriculture.

The failure to revise Article XIX "Emergency Action on Imports." or to adopt a Safeguards Code at the Tokyo Round was viewed by many as one of the most serious flaws of that round. Safeguards may be defined as the imposition of restrictions on imports determined to be causing damage to a domestic industry. In the absence of an effective safeguards system, there has been a proliferation of non-GATT safeguard mechanisms in the shape of "voluntary export restraints" (VERs) and "orderly marketing arrangements" (OMAs). In trying to clarify safeguard rights within the GATT, there may be an effort to allow such actions to be taken only against suppliers deemed to be the cause of injury rather than on a non-discriminatory basis as is currently stipulated.

Among government and business respondents, dumping and anti-dumping duties did not rate the highest priority except in Korea and Taiwan where major export

MEDIUM: Canada, New Zealand, Philippines, Taiwan

LOW: Japan, Singapore

### 3. GATT: Enforcement of Codes

#### Government Priorities

HIGH: Korea

MEDIUM: Japan, United States, Australia, Indonesia, Malaysia, Thailand, Taiwan, Singapore

LOW: Canada, New Zealand, Philippines

#### Business Priorities

HIGH: Japan, Canada, Indonesia, Singapore

MEDIUM: U.S.A., Australia, N. Zealand, Malaysia, Thailand, Taiwan

LOW: Philippines

#### Academic/Research Priorities

HIGH: United States, Australia, New Zealand, Indonesia, Thailand, Singapore, Korea

MEDIUM: Canada, Taiwan

LOW: Japan, Malaysia

### II. CATEGORIES 4 - 6:

4. Dumping and Anti-Dumping Duties.
5. Subsidies & Countervailing Duties.
6. Safeguards.

LOW: United States, Canada, Thailand

Business Priorities

HIGH: Japan, Australia, Singapore, Korea

MEDIUM: United States, Canada, New Zealand, Malaysia, Thailand, Taiwan

LOW: Indonesia, Philippines,

Academic/Research Priorities

HIGH: Australia, Indonesia, Thailand, Singapore, Korea

MEDIUM: Japan, United States, Canada, Philippines, Malaysia, Taiwan

LOW: New Zealand

2. GATT: Dispute Settlement

Government Priorities

HIGH: Canada, Australia, Philippines, Korea

MEDIUM: Japan, New Zealand, Indonesia, Malaysia, Taiwan, Singapore

LOW: United States, Thailand

Business Priorities

HIGH: Japan, United States

MEDIUM: Canada, Australia, New Zealand, Malaysia, Thailand, Singapore, Korea, Taiwan

LOW: Indonesia, Philippines

Academic/Research Priorities

HIGH: United States, Australia, Indonesia, Malaysia, Thailand, Korea

the ease with which countries can disregard settlements, the ambiguity of the above Articles, and the bias in panel composition. While some contend that the dispute settlement procedures can only be as strong as the system it mirrors, others express concern that the extent to which the dispute settlement mechanism is deemed inadequate undermines the credibility of the GATT as a whole.

Issue #3, Enforcement of Codes, refers to the need some perceive to ensure the fuller implementation of the Codes of Conduct involving non-tariff barriers. Many single out the government procurement code (which aims to put foreign suppliers on the same footing as domestic suppliers) as most in need of stronger enforcement. A related issue is applicability: the codes now apply only to those countries that choose to accept them and some would like to expand both the codes' signatories and enforceability.

Relative to other issues in the survey, these first three items were given a generally lower ranking, suggesting that although some country respondents may have interpreted them as opportunities to correct procedural flaws or reinforce the authority of the GATT, a focus on specific areas of trade tension and protectionism is preferred by the majority.

## RESPONSES

### 1. GATT: Basic Principles and Complexity.

#### Government Priorities:

HIGH: Australia, Philippines, Malaysia, Korea

MEDIUM: Japan, New Zealand, Indonesia, Taiwan, Singapore

### MTN Issues: National and Sectoral Perspectives

Respondents to the region-wide survey were provided with a list of trade issues and requested to rank each of them as a High, Medium or Low priority. The issues were listed alphabetically, but have been re-grouped here to reflect eight categories of interest. The respondents were encouraged to add any issues which they felt had been left out of the list. Several did so, but none of the additions indicates that any major issue had been omitted.

As seen above, a clear set of priorities did emerge from the survey, although important areas to the United States did not receive high rankings overall (Tables 1 and 2).

#### I. CATEGORIES 1 - 3:

1. GATT: Basic Principles & Complexity
2. GATT: Dispute Settlement
3. GATT: Enforcement of Codes

The "basic principles and complexity" of the GATT (#1), revolves around the question of the relevancy of such fundamental principles as MFN (Most Favored Nation) nearly four decades after its formulation. GATT membership has grown nearly four-fold from the original 23 member nations and encompasses developed and developing countries alike. Some suggest that this evolution in membership and circumstances demands a corresponding evolution in principles.

Issue #2, Dispute Settlement, involves a GATT mechanism that has been deemed both cumbersome and inadequate. Article XXII on Consultations and Article XXIII on Nullification and Impairment have been the subject of frequent and growing criticisms. Critics point to the lengthy time period it takes to resolve disputes,

TABLE 2. RANKED IMPORTANCE OF TRADE ISSUES BY RESPONDENTS IN  
12-COUNTRY SURVEY OF TRADE ISSUES, PACIFIC BASIN

ISSUE	RANK
1. Access to Low-Penetrated Developed Country Markets for Manufactured Goods	1
2. Voluntary Export Restraints (VERs) and Orderly Marketing Arrangements (OMAs)	1
3. Subsidies and Countervailing Duties	3
4. Agriculture (Including Processed Products)	4
5. Safeguards	4
6. Fuller Participation of the Developing Countries in the Trading System	6
7. Generalized System of Preferences (GSP)	6
8. Multi-Fibre Arrangement (MFA)	8
9. Structural Adjustment Policy	9
10. Tariff Escalation & Trade Restraints on Natural Resources (including processed)	10
11. GATT: Basic Rules and Complexity	11
12. GATT: Dispute Settlement	12
13. GATT: Enforcement of Codes	12
14. Trade-Related Investment Regulations	14
15. Trade in Services	15
16. Dumping and Anti-Dumping Duties	16
17. Trade in High-Technology Products	17
18. Counter Trade	18
19. Steel	19
20. Counterfeiting	20
21. Cartels in the Market for Primary Products	21

Based on High, Medium, Low scores as shown in Table 1. Source: Survey of business, government, academic experts in 12 Pacific Basin market economies. Korea Development Institute, 1984.

TABLE 1. REVIEW OF PACIFIC BASIN MTN SURVEY RESULTS. TOTAL NATIONAL RESPONSES PER ISSUE CATEGORY.

ISSUES	H	M	L	SCORE	RANK
I.					
1. GATT: Basic Rules & Complexity	14	17	5	81	11
2. GATT: Dispute Settlement	12	18	6	78	12
3. GATT: Enforcement of Codes	12	18	6	78	12
II.					
4. Dumping & Anti-Dumping Duties	10	17	9	73	16
5. Subsidies and Countervail	22	13	1	93	3
6. Safeguards	21	13	2	91	4
III.					
7. Voluntary Export Restraints (VERs)	25	9	2	95	1
Orderly Marketing Arrangements(OMAs)	5	15	16	61	18
8. Counter Trade					
IV.					
9. Agriculture (+ processed products)	24	7	5	91	4
10. Tariff Escalation & Trade Restraint on Nat. Resources (inc. processed)	20	11	5	87	10
11. Cartels in the Market for Primary Products	5	8	21	52	21
12. Steel	6	14	16	56	19
V.					
13. Fuller Participation of the Develop- ing Countries in the Trading System	22	10	4	90	6
14. Generalized System of Pref. (GSP)	20	14	2	90	6
15. Multi-Fibre Arrangement (MFA)	21	9	6	89	8
VI.					
16. Structural Adjustment Policy	17	18	1	88	9
VII.					
17. Trade in High-Technology Products	11	14	11	72	17
18. Trade in Services	12	14	10	74	15
19. Trade-Related Investment Regul'tns	7	17	12	77	14
20. Counterfeiting	1	16	19	56	20
VIII.					
21. Access to Low-Penetrated Developed Country Markets for Manufactures	25	10	1	95	1

\* Scoring based on High (H) = 3, Medium (M) = 2, Low (L) = 1  
responses by business, government, academic experts in Pacific  
Rim countries.

must be added, however. First, the responses were provided by one person each from business, government and academe in each country. As such, they cannot be interpreted uniformly in terms of "national interests". Indeed, the responses within each country can be seen to vary significantly in several cases. This may reflect differences of judgement concerning not only the importance of the issue, but the likelihood that it can be seriously considered as an item for global negotiations in the near future. In short, the responses are "multidimensional". Second, the views expressed are of an individual nature. Finding a single "representative" for any of the three categories of respondents is of course difficult, particularly in the case of businesses, but each was asked to respond on the basis of his/her professional status and familiarity with the issues. In spite of these limitations, the results seem to confirm the assessment by the PECC Task Force that "any inherent bias was insufficient to cast doubt on the general validity of the priorities that emerged. This is reinforced by the uniformly higher rankings that emerged for the top ten issues,"<sup>7</sup> These top ten issues, based on weighted scores from Table 1, are listed in Table 2. The following discussion looks at the specific responses from each country and at the differences between groups of countries.

the production-efficient NIC steel exporters, Korea and Taiwan and coal-exporting Australia.

#### RESPONSES

##### 9. Agriculture [including processed products]

###### Government Priorities

HIGH: Japan, United States, Canada, Australia, New Zealand, Indonesia, Philippines, Thailand

MEDIUM: Malaysia, Singapore

LOW: Korea, Taiwan

###### Business Priorities

HIGH: Japan, United States, Canada, Australia, New Zealand, Indonesia, Philippines, Malaysia, Thailand, Taiwan

MEDIUM: (None)

LOW: Singapore, Korea

###### Academic/Research Priorities

HIGH: United States, Australia, New Zealand, Indonesia, Philippines, Thailand

MEDIUM: Japan, Canada, Malaysia, Korea, Taiwan

LOW: Singapore

10. Tariff Escalation and Other Restraints  
on Natural Resources [including Processed Resources]

Government Priorities

HIGH: Canada, Australia, Indonesia, Philippines, Malaysia, Korea  
MEDIUM: Japan, New Zealand, Taiwan, Singapore  
LOW: United States, Thailand

Business Priorities

HIGH: Japan, Canada, New Zealand, Indonesia, Philippines,  
Malaysia, Thailand, Korea  
MEDIUM: Australia, Singapore  
LOW: United States, Taiwan

Academic/Research Priorities

HIGH: Canada, Australia, New Zealand, Philippines, Thailand,  
Taiwan  
MEDIUM: United States, Indonesia, Malaysia, Singapore, Korea  
LOW: Japan

11. Cartels in the Market for Primary Products

Government Priorities

HIGH: (None)  
MEDIUM: Japan, Canada, Malaysia, Taiwan  
LOW: United States, Australia, New Zealand, Indonesia,  
Philippines, Thailand, Korea, Singapore

Business Priorities

HIGH: Indonesia, Thailand

MEDIUM: Philippines, Korea

LOW: Japan, United States, Australia, Canada, New Zealand, Malaysia, Singapore, Taiwan

Academic/Research Priorities

HIGH: Philippines, Malaysia, Taiwan

MEDIUM: United States, New Zealand

LOW: Japan, Canada, Australia, Indonesia, Thailand, Singapore, Korea

12. Steel

Government Priorities

HIGH: Australia, Korea

MEDIUM: Japan, Taiwan, Singapore

LOW: United States, Canada, New Zealand, Indonesia, Philippines, Malaysia, Thailand

Business Priorities

HIGH: Korea, Taiwan

MEDIUM: Japan, Canada, New Zealand, Philippines, Malaysia, Thailand,

LOW: United States, Australia, Indonesia, Singapore

Academic/Research Priorities

HIGH: Australia

MEDIUM: Japan, United States, New Zealand, Indonesia, Malaysia, Taiwan

LOW: Canada, Philippines, Thailand, Singapore, Korea

V. CATEGORIES 13 - 15:

- 13. Fuller Participation of the Developing Countries in GATT
- 14. Generalized System of Preferences
- 15. Multi-Fibre Arrangement (MFA)

The GATT recognizes and sanctions "special and differential treatment" for developing countries through its Part IV, Articles XXVI - XXVIII. Part IV was added to the GATT in the mid-1960s in response to developments in UNCTAD and the move to accord special rights to developing nations. To some, the preferential treatment is seen as a direct contradiction of the MFN principle which could be rectified by "graduating" the newly industrialized countries (NICs).

It is also argued that the "special status" given to the developing countries runs counter to their long-term interests. Specifically cited is the MFA (#15) and its quotas on textiles against which the LDCs have little leverage to fight given their special status. First established in 1974, the Multi-Fibre Arrangement covers well over four-fifths of world trade in textiles and clothing. Although it operates under the aegis of the GATT, through the Textile Surveillance Board and the Textiles Committee, it marks a significant departure from basic GATT principles on quotas (Article XI) and managed trade. In recent years, the MFA has faced growing criticism for its trade-distorting effects and its discrimination against the developing world. Twice renewed and due to expire in mid-1986, a recent GATT study reported that MFA does "more harm than good" but fell short of calling for its end.

GSP, the Generalized System of Preferences, (#14) also contradicts GATT's basic

principle of non-discrimination by permitting developing countries to export certain amounts of their products duty-free to other countries such as the U.S. which have initiated a GSP system. Again, the issue of "graduation" for some economies, particularly for three NICs in Asia (Korea, Taiwan and Hong Kong), has been raised. Other issue concern the discrepancies among different countries' GSP plans and whether or not these should be made more uniform through the GATT.

All of the above "developing country" issues (#13-#15) were of sufficient importance to the survey group to be ranked in the top ten issues for trade negotiations, but none ranked in the top five<sup>1</sup>. GSP was a low priority for the U.S. government because the American response was received just after the U.S. had passed the 1984 trade bill extending the GSP. National differences over the MFA as an MTN priority may be due in part to varying perceptions of how realistic it is in the near future to bring textile trade under the GATT umbrella. This was one area in which the United States government priority (Low) stood in sharp contrast to the majority.

## RESPONSES

### 13. Fuller Participation of the Developing Countries in the Trading System

#### Government Priorities

HIGH: Japan, United States, Canada, Australia, Malaysia, Thailand

MEDIUM: New Zealand, Indonesia, Philippines, Singapore

LOW: Korea, Taiwan

Business Priorities

HIGH: Japan, United States, Australia, New Zealand,  
Indonesia, Philippines, Malaysia, Taiwan

MEDIUM: Canada, Korea, Singapore

LOW: Thailand

Academic/Research Priorities

HIGH: United States, Australia, Indonesia, Philippines,  
Malaysia, Thailand, Korea, Taiwan

MEDIUM: Canada, New Zealand, Singapore

LOW: Japan

14. Generalized System of Preferences [GSP]

Government Priorities

HIGH: Philippines, Malaysia, Thailand, Korea, Taiwan,  
Singapore

MEDIUM: Japan, Canada, Australia, New Zealand, Indonesia

LOW: United States

Business Priorities

HIGH: Japan, Australia, New Zealand, Indonesia, Malaysia,  
Thailand, Singapore, Taiwan

MEDIUM: United States, Canada, Philippines, Korea

LOW: (None)

Academic/Research Priorities

HIGH: Indonesia, Philippines, Malaysia, Thailand, Singapore, Taiwan

MEDIUM: Japan, United States, Australia, New Zealand, Korea

LOW: Canada

#### 15. Multi-Fiber Arrangement [MFA]

##### Government Priorities

HIGH: Japan, Canada, Australia, Indonesia, Philippines,  
Malaysia, Thailand, Korea, Taiwan,

MEDIUM: Singapore

LOW: United States, New Zealand

##### Business Priorities

HIGH: Indonesia, Philippines, Malaysia, Taiwan

MEDIUM: Japan, United States, New Zealand, Korea

LOW: Canada, Australia, Thailand, Singapore

##### Academic/Research Priorities

HIGH: United States, Canada, New Zealand, Indonesia, Malaysia,  
Korea, Taiwan

MEDIUM: Australia, Philippines, Thailand, Singapore

LOW: Japan

#### VI. CATEGORY 16:

##### 16. Structural Adjustment Policy.

In view of the "national" structural adjustment policies which have emerged and  
which often contradict the GATT, it has been suggested that structural adjustment  
policy should be dealt with at the international level. For example, there is the

suggestion that the safeguards provision could include requirements to adjust as part of its legitimate role. Broadly, the issues of structural adjustment are, first, whether the GATT is a realistic forum for discussion of this issue at a multilateral level and, second, if it is, then how can the GATT help construct an orderly way for countries to adjust to changing comparative advantages.

This issue was ranked ninth among the top ten issues (Tables 1 and 2) by the Pacific Basin group. While there is no general agreement as to how structural adjustment policies could be incorporated in a new MTN round, there clearly is a shared view of the importance of conducting negotiations within a framework that encourages a rational process of adjustment worldwide.

#### RESPONSES

##### 16. Structural Adjustment Policy

###### Government Priorities

HIGH: Japan, Canada, New Zealand, Malaysia, Korea

MEDIUM: United States, Australia, Indonesia, Philippines, Thailand, Taiwan, Singapore

LOW: (None)

###### Business Priorities

HIGH: United States, Indonesia, Philippines, Malaysia, Korea,

MEDIUM: Japan, Canada, Australia, New Zealand, Thailand, Singapore, Taiwan

LOW: None)

Academic/Research Priorities

HIGH: New Zealand, Indonesia, Philippines, Malaysia, Thailand, Korea, Taiwan

MEDIUM: Japan, United States, Canada, Australia

LOW: Singapore

VII. CATEGORIES 17 - 20:

17. Trade in High Technology Products.
18. Trade in Services.
19. Trade-related Investment Regulations.
20. Counterfeiting.

Among the issues associated with high-technology trade (#17) are protection through preferential purchasing schemes and the definitions of subsidies for hi-tech industries such as computers and biotechnology. The U.S. has been especially concerned with the unfair expropriation of high-tech products such as software due to other countries' lax intellectual property laws. The same problem applies to copyright laws and counterfeiting (#20) abroad.

Service trade (#18) includes such areas as banking, finance, insurance, telecommunications, tourism and transportation, all of which fall outside the scope of the GATT. Present estimates place the volume of world trade in services at \$500 billion, yet service industries continue to face important barriers in foreign markets, such as discriminatory licensing, and personnel and ownership restrictions. The U.S. has been a primary force behind the move to include services within the GATT. At the annual GATT meeting this year, other GATT members pledged to study services, a commitment they had first taken up at the November 1982 GATT Ministerial. To some, it is a matter of extending GATT principles to cover services; to others, it is a question of applying codes such as government procurement; and for others like the developing countries, it has been presented as a question of

whether or not to risk loss of protection of their own service industries and to support this "developed country" issue.

The GATT also excludes the area of trade-related investment barriers (#19) which range from performance requirements to government-imposed rules on employment and licensing. It has been suggested that the GATT undertake the regulation and surveillance of international investment activities to prevent such trade-distorting effects.

None of this group of issues ranked in the top ten categories in the Pacific Basin survey. In fact, they were among the bottom-ranked overall. Investment regulations and counterfeiting in particular received uniformly lukewarm interest in the survey. High technology and services trade issues, on the other hand, surfaced as key areas of contrasting priorities between the two largest developed countries, (Japan and the United States) and the developing countries, with views from countries such as Canada, Taiwan and Singapore occasionally supporting the Japan/U.S. priority.

#### 17. Trade in High-Technology Products

##### Government Priorities

HIGH: Japan, United States, Canada, Taiwan

MEDIUM: Malaysia, Thailand, Singapore

LOW: Australia, New Zealand, Indonesia, Philippines, Korea

##### Business Priorities

HIGH: Japan, United States, Singapore

MEDIUM: Canada, New Zealand, Malaysia, Korea, Taiwan

LOW: Australia, Indonesia, Philippines, Thailand

Academic/Research Priorities

HIGH: Japan, United States, Malaysia, Taiwan

MEDIUM: Canada, Australia, Philippines, Thailand, Singapore, Korea

LOW: New Zealand, Indonesia

18. Trade in Services

Government Priorities

HIGH: Japan, United States, Singapore

MEDIUM: Canada, Australia, Thailand, Taiwan

LOW: New Zealand, Indonesia, Philippines, Malaysia, Korea

Business Priorities

HIGH: Japan, Indonesia, Philippines, Singapore

MEDIUM: United States, Canada, New Zealand, Malaysia, Korea,  
Taiwan

LOW: Australia, Thailand

Academic/Research Priorities

HIGH: Japan, United States, Indonesia, Thailand, Singapore

MEDIUM: Australia, Malaysia, Korea, Taiwan

LOW: Canada, New Zealand, Philippines

19. Trade-Related Investment Regulations

Government Priorities

HIGH: (None)

MEDIUM: Japan, United States, Thailand, Taiwan, Singapore

LOW: Canada, Australia, New Zealand, Indonesia, Philippines, Malaysia, Korea

#### Business Priorities

HIGH: Japan, United States, Indonesia, Philippines,

MEDIUM: Canada, New Zealand, Malaysia, Thailand, Singapore, Korea, Taiwan

LOW: Australia

#### Academic/Research Priorities

HIGH: United States, Malaysia, Thailand

MEDIUM: Australia, Indonesia, Philippines, Singapore, Taiwan

LOW: Japan, Canada, New Zealand, Korea

#### 20. Counterfeiting

#### Government Priorities

HIGH: (None)

MEDIUM: Japan, United States, Canada, Australia, New Zealand, Malaysia, Taiwan, Singapore

LOW: Indonesia, Philippines, Thailand, Korea

#### Business Priorities

HIGH: Japan

MEDIUM: United States, Canada, Indonesia, Philippines, Thailand, Singapore, Korea

LOW: Australia, New Zealand, Malaysia, Taiwan

Academic/Research Priorities

HIGH: (None)

MEDIUM: Taiwan

LOW: Japan, United States, Canada, Australia, New Zealand, Indonesia, Philippines, Malaysia, Thailand, Singapore, Korea

VIII. CATEGORY 21:

21. Access to Low-Penetrated Developed Country Markets for Manufactured Goods.

This issue is not confined to the question of market access to Japan. In some cases, it is a question of market access for Japan. For example, Japan encounters difficulties in penetrating markets in the EC such as Italy where Japanese autos are restricted to a 3% share. Nevertheless, it is likely that most of the respondents saw this category as a euphemism for Japan's low-penetrated market. It tied for the highest place among the priorities for trade negotiations (Tables 1 and 2). Conversely, the Japanese did not see it as a top priority.

RESPONSES

21. Access to Low-Penetrated Developed Country Markets for Manufactured Goods

Government Priorities

HIGH: Australia, Indonesia, Philippines, Malaysia, Thailand, Korea, Taiwan, Singapore

MEDIUM: Japan, United States, Canada, New Zealand,

LOW: (None)

Business Priorities

HIGH: Australia, New Zealand, Indonesia, Philippines,  
Malaysia, Thailand, Singapore, FOR, Taiwan

MEDIUM: Japan, United States, Canada

LOW: (None)

Academic/Research Priorities

HIGH: Canada, Australia, Indonesia, Philippines, Malaysia,  
Singapore, Korea, Taiwan

MEDIUM: United States, New Zealand, Thailand

LOW: Japan

PACIFIC DEVELOPED VS. DEVELOPING COUNTRY PRIORITIES

The survey, although it is neither comprehensive nor definitive, does suggest that there are strongly overlapping interests among the Pacific Basin countries in a new MTN round. It is not to be expected that developing and developed countries will agree on the emphasis to be given each case, nor do these groups always agree within their own ranks, but a number of common priorities do emerge. In fact, contrasts the only developed/developing country <sup>1</sup> (Table 5) arise in the case of the Multi-Fibre Arrangement (#15), high-technology trade (#17), and access to developed country markets (#21).

As noted above, the United States and Japan also stand apart in their uniform support for services trade (#18) along with the high technology issues. Only gradually are the Asian LDCs and NICs becoming aware of the importance of traded services to their growth<sup>2</sup>. This applies to some developed countries as well

## APPENDIX II.

### U.S. GOVERNMENTAL PRIORITIES FOR A NEW MTN: AN INFORMAL SURVEY

The unofficial responses from the U.S. government were supplied for the PECC Pacific Basin survey by the office of the U.S. Trade Representative. For the purposes of this study, views from other government agencies involved in the development of U.S. positions in trade were solicited as well. The range of responses and the reasons given for them serve to illustrate the complex trade-offs involved in any set of MTN priorities for the United States regardless of whether these are applied globally or regionally.

Individuals in seventeen agencies besides USTR were interviewed using the same questionnaire as in the Pacific Basin survey. In some cases, two or more persons per agency were interviewed as a group from which a composite, single response was derived. Nearly all preferred to reply in their individual capacities rather than as officially representing the views of their agencies. For purposes of analysis, the respondents are divided into the following categories:

- "Frontline": Lead agencies with responsibility for developing U.S. trade policies.
  - \* U.S. Trade Representative
  - \* Department of Agriculture
  - \* Department of Commerce
  - \* Department of State

June, 1984; London

- \* At the tenth annual economic summit, held in London, the leaders pledge in their economic declaration to "reaffirm the agreement reached at the OECD Ministerial in May, 1984 on the important contribution which a new round of multilateral trade negotiations would make to strengthening the open multilateral trading system...and to consult partners in the GATT with a view to decisions at an early date on the possible objective, arrangements and timing for a new negotiating round." [France and Italy reportedly objected to this part of the declaration, however.]

- November, 1984; Geneva

- \* At the annual GATT meeting, the U.S., EC, Canada, and Japan call for a new round of multilateral trade negotiations to commence in 1986 and a preliminary planning meeting to begin in mid-1985. The compromise accord agrees to conduct an analysis of global trade in services and counterfeiting and to consider recommendations to tighten rules on agricultural products and strengthen the dispute settlement procedures.

## APPENDIX I

### CHRONOLOGY OF PROPOSALS FOR A NEW MTN ROUND

#### - November, 1982; Geneva

- \* At the close of the GATT Ministerial, Prime Minister Malcolm Fraser of Australia calls for endorsements for a hold on new protectionist measures.

#### - January, 1983; Washington, D.C.

- \* Prime Minister Nakasone of Japan proposes a future round of multilateral trade negotiations during his visit to the U.S. with President Reagan.

#### - May, 1983; Williamsburg, U.S.A.

- \* At the 9th annual economic summit, President Reagan endorses Nakasone's initiative for a new MTN, and the proposal becomes known as the U.S.-Japanese initiative. The other leaders pledge to "continue consultations on proposals for a new negotiating round in the GATT...with particular emphasis on expanding trade with and among developing countries."

#### - November, 1983, U.S.

- \* U.S. Trade Representative William Brock calls for a new trade round to begin in 1987, with preparations to begin in 1984 or 1985.

#### - November 22, 1983; Bangkok

- \* Prime Minister Hawke of Australia proposes a new round of trade negotiations to begin with an Asia-Pacific regional initiative. His proposal calls attention to specific issues of Asia-Pacific concern, including textiles and agriculture.

#### - February, 1984; Islamadora, Florida

- \* Trade officials from the EC, Japan and Canada endorse a proposal to hold a new round of trade liberalization talks, but they avoid discussion of a timetable or agenda.
- \* [Continued, next page]

NOTES PART I.

- 
1. Task Force on Trade in Manufactured Goods, "Report," In Issues for Pacific Economic Cooperation, Report of the Third Pacific Economic Cooperation Conference, CSIS, Jakarta, 1984, p.65.
  2. Gregory Hywood, "Hawke's Trade Bloc Pitch," The Australian Financial Review, November 23, 1983, p. 1.
  3. Robert James Lee Hawke, "Text of a speech delivered by Prime Minister Hawke to the Australian-Thai Chamber of Commerce," Bangkok, November 22, 1983, AFAR, p. 691.
  4. Ibid.
  5. Ibid.
  6. "Hawke's Round Trip," Far Eastern Economic Review, 9 February, 1984, p. 11.
  7. Korea Development Institute, "Pacific Economic Cooperation Conference Task Force on Trade in Manufactured Goods: Report on Trade Negotiations," October 1984. Mimeo.

NOTES PART II.

- 
1. Using a different measure, the PECC Task Force report ranked "Fuller Participation by Developing Countries in the GATT" in fifth place. Table 1 shows it in sixth place.
  2. Malaysia's Deputy Prime Minister, Musa Hitam, for example, recently called for ASEAN to emphasize "services" in future trade negotiations with other nations, mentioning shipping and tourism. Almost simultaneously, Malaysia enacted new restrictions on imported services such as insurance.
  3. Anderson, Kym, "Growth of Agricultural Protection in East Asia," Food Policy, November 1983, pp 327-336.
  4. McFadzean, Frank, et all, "Proposals for Future Trade Strategy," in Towards an Open World Economy, London: Macmillan, Trade Policy Research Centre, 1972, p. 32.
  5. Washington Post, February 1, 1984, "Europeans' Self-Centered Concerns to Alter U.S. Policy, Eagleburger Says," p. A6.

the "new issues" of importance to the United States and Japan, would form the basis of a de facto Pacific Basin position. Should the movement toward a new MTN become completely stalled, on the other hand, the option of direct regional trade negotiations becomes more attractive as a means of countering increasing protectionist trends.

#### VI. SUMMARY

A "Pacific strategy" would be never be less than global in its goals. It would aim the growing impasse within the ranks of the developed nations and the Group of 77 respectively concerning appropriate strategies for expanded global trade, development, and financial stability. Its starting point would be the common interests of the developed and developing nations in the Pacific Basin in a new MTN round, but even at the outset should not be limited by geographical considerations alone. Instead, regional cooperation in trade negotiations should be a device for new U.S. leadership toward the goal of an open global trading system, derived from the combined support of the dynamic, outward looking economies of the Pacific, but available to all nations who wish to participate and enjoy the benefits.

Opponents of this view argue that pursuit of a conditional MFN would lead to a world divided into competing trade blocs whose discriminatory measures toward one another would increase rather than decrease. Yet this overlooks the fact that the proposed reciprocal MFN arrangement would not be a retaliatory measure but aimed rather at trade liberalization through a process that is open and outward-looking. Ideally, the eventual configuration would not resemble a Pacific Basin grouping at all but would include many countries outside the region.

A more serious objection suggests that a move toward Pacific Basin trade negotiations might engender a serious counter reaction in Europe and elsewhere. The sight of Japan and the United States seemingly turning toward a GATT-like arrangement in the Pacific could reinforce tendencies toward a "fortress Europe" mentality and could undermine rather than support progress toward new global negotiations. The sensitivity of the Europeans toward America's possible "turn toward the Pacific" has already been demonstrated in their reactions to remarks in 1984 by then Under Secretary of State Eagleburger<sup>5</sup>. The U.S. therefore may find it difficult to reassure the Europeans if the prospects for Pacific regional trade discussions continue to improve and the U.S. takes the position of supporting such discussions.

Similar constraints regarding the Europeans can be said to apply also to Japan, although the Japanese are under less pressure politically from the Europeans as an ally. Thus, an option for the United States and Japan may be to use regional trade discussions initially for the purpose of making implicit bargains with regional trading partners concerning our mutual positions in a prospective global MTN round (it being understood that the outcomes are only contemplated if Europe takes part). Here the commonality of interests reflected in the above survey, including

interests of avoiding aggressive discrimination and protecting countries in a weaker bargaining position (MFN gives assurance that trade treaty commitments will not be undermined through further concessions to a more favored nation). The effect of the MFN principle on the post-war trading system has been on balance quite positive: bilateral tariff concessions have, except in special cases, been multilateralized to all contracting parties in the GATT. The problem of "free riders," however, has become increasingly serious.

The question for the Pacific countries now is whether a new interpretation can be given to the principle of non-discrimination in the interest of further trade liberalization. It has been suggested that regional arrangements for freer trade will need to derive from a "conditional" MFN in which MFN treatment is exchanged among a group of countries on the basis of reciprocity.<sup>4</sup> Conditional MFN means that the other GATT countries could gain the benefits subsequently by signing the agreement at their own volition. It is an approach that views collective non-discrimination as warranted in today's world of proliferating non-tariff barriers only when it is granted to those who play by essentially the same set of rules. A mechanical application of the old MFN principle lacks the flexibility and pragmatic application that is needed if further steps toward liberalization are to be made. Under the new standard, it is argued, the Pacific Basin countries could move toward a deescalation of non-tariff barriers. Tariff reductions would have to be made on a standard MFN basis, but careful selection of products could ensure that most benefits could be contained within the Pacific Basin group of members. All non-tariff agreements would be accomplished on a reciprocal or "conditional" MFN basis among the participating countries. Again, if countries outside the region wished to participate on this same basis, they would be welcome to do so.

increasing protectionism in Japan, Korea and Taiwan since the 1950s. These countries in fact have begun to rival Western Europe in their effective rates of agricultural protection<sup>3</sup> and the initial efforts in negotiations in this area will succeed only where domestic cost factors are high enough to force leaders to take the necessary political risks. In any case, trade negotiations can provide a pressure point for the beginnings of such changes. The Multi-Fibre Arrangement (MFA) also is unlikely to be supplanted through Pacific regional negotiations since presumably this would, in the United States' view, only serve to remove a trade pressure from Europe without gaining useful concessions in return.

In the end, the vagueries of which priorities would win out on a regional basis can only be known (beyond such indicators as are provided in the survey) once governments engage in serious discussions of the issues. On the other hand, national strategies and positions regarding the relationship of the Pacific Basin group to the GATT would have to be established in advance of such discussions. Here, the issues of implicit discrimination would have to be understood and agreed upon.

So far, the rhetoric of Pacific economic cooperation has followed almost entirely a non-discriminatory line in order to support the principles of the GATT. No serious observer contemplates a regional common market, even though it is well-known that the GATT principles are stretched fairly thin in Article XXIV in order to permit regional institutions such as the EEC to exist. Hence, the degree of ambiguity of the Article's language regarding preferential trade leaves an eventual opportunity for new regional arrangements to be created, but that is very far into the future. Especially at issue is the status of Most-Favored-Nation (MFN) treatment whereby the principle of non-discrimination in trade is maintained in the

## V. CONCLUSION: OPTIONS FOR TRADE NEGOTIATIONS IN THE PACIFIC BASIN

The regional survey provides a strong indication of areas of overlapping interest in the Pacific Basin with regard to a new MTN round. A unanimously shared set of priorities among the countries is not to be expected, but "constellations" of Pacific economies do share sufficiently interlinked interests so as to suggest the outline of an agenda for trade negotiations as long as some of the high priority items of each country is addressed. If sufficient support for such action could be mustered within the region -- and the reluctance of one or two LDCs need not prevent it -- then the purpose of a Pacific Basin colloquium on trade negotiations becomes critical: Would it be prepared to promote freer trade within a regional bloc or would its aim be solely focused on the global GATT framework ?

Some have suggested that these are not two mutually exclusive objectives; that regional arrangements might encourage progress in the GATT. According to this view, if significant progress toward an MTN round is not soon forthcoming, the Pacific Basin nations should move toward negotiations within a GATT framework without prejudice to eventual universal global agreements. However, to make the negotiations credible, the Pacific Basin countries should be prepared to reach agreements even if other countries do not go along. The negotiations might deal, for example, with non-tariff measures among Pacific countries as noted in the high priority areas of the survey (e.g. safeguards, subsidies, countervailing duties). Such agreements might be on a "conditional MFN" basis similar to the new codes of the Tokyo Round (see below).

Several of the high priority areas, even if approached in a Pacific Basin context, would probably yield only modest outcomes in negotiations in the near term. Regional exporters of agricultural products, for example, have met with steadily

TABLE 5. NUMBER OF DEVELOPED AND DEVELOPING COUNTRY RESPONSES PER CATEGORY IN PACIFIC REGIONAL SURVEY OF TRADE ISSUES.

ISSUES	DEVELOPED COUNTRIES			DEVELOPING COUNTRIES		
	High	Med	Low	High	Med	Low
I.						
1.	5	7	3	9	9	3
2.	6	7	2	6	11	4
3.	5	7	3	7	11	3
II.						
4.	2	10	3	8	7	6
5.	12	3	0	10	10	1
6.	11	4	0	10	9	1
III.						
7.	13	2	0	13	6	2
8.	2	8	5	3	10	8
IV.						
9.	13	2	0	12	4	5
10.	9	3	3	14	5	2
11.	0	4	11	5	4	12
12.	2	7	6	3	8	10
V.						
13.	10	4	1	13	5	3
14.	3	10	2	17	4	0
15.	6	4	5	14	6	1
VI.						
16.	5	10	0	12	8	1
VII.						
17.	7	4	4	4	10	7
18.	5	6	4	6	9	6
19.	3	5	7	4	12	5
20.	1	7	7	0	9	12
VIII.						
21.	5	9	1	20	1	0

"Developed Countries" refers to Australia, Canada, Japan, New Zealand, and the United States. "Developing Countries" refers to Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand. Issue numbers correspond to Table 1 on p. 11. Number of respondents per country = 3.

TABLE 4. RANKINGS OF TRADE ISSUES IN PACIFIC BASIN SURVEY: CLASSED BY RESPONDENTS FROM RAW MATERIAL IMPORTERS VS. EXPORTERS

ISSUES	R.M. IMPORTERS			R.M. EXPORTERS		
	High	Medium	Low	High	Medium	Low
I.						
1.	9	2	1	8	10	6
2.	3	4	5	9	11	4
3.	1	3	8	7	12	5
II.						
4.	1	6	5	0	11	3
5.	1	6	5	15	9	0
6.	5	5	2	14	8	1
III.						
7.	5	4	3	17	5	2
8.	6	6	0	4	13	7
IV.						
9.	3	7	2	21	3	0
10.	5	6	1	17	4	3
11.	8	4	0	4	5	15
12.	6	5	1	2	9	13
V.						
13.	6	5	1	17	6	1
14.	7	5	0	12	10	2
15.	6	5	1	14	5	5
VI.						
16.	3	6	3	12	12	0
VII.						
17.	5	6	1	5	9	10
18.	7	4	1	6	9	9
19.	5	5	2	6	9	9
20.	1	8	3	0	11	13
VIII.						
21.	8	4	0	16	8	0

"Raw Material Importers" refers to Japan, Korea, Taiwan and Singapore. "Raw Material Exporters" refers to Australia, Canada, Indonesia, Malaysia, New Zealand, Philippines, Thailand, and the United States. For issue codes, see Table 1. Respondents per country = 3. Source: Korea Development Institute, 1984.

TABLE 3. [CONT.]

ISSUE	RAW MATERIAL IMPORTERS	RAW MATERIAL EXPORTERS	DEVELOPED COUNTRIES	DEVELOPING COUNTRIES
14. Gen. System of Pref. (GSP)				
	2.58	2.42	2.07	2.81
15. Multi-Fibre Arrangement (MFA)				
	2.42	2.38	2.07	2.62
16. Structural Adjustment				
	2.00	2.50	2.33	1.52
17. Trade in High Technology				
	2.33	1.79	2.20	1.86
18. Trade in Services				
	2.50	1.88	2.07	2.00
19. Trade-Related Investment Reg.				
	2.25	1.88	1.73	1.95
20. Counterfeiting				
	1.83	1.46	1.60	1.43
21. Access: Low-Penetrated Developed Markets				
	2.67	2.67	2.27	2.95

Based on: High = 3, Medium = 2, Low = 1.

"Raw Material Importers" refers to Japan, Korea, Taiwan and Singapore. "Raw Material Exporters" refers to Australia, Canada, Indonesia, Malaysia, New Zealand, Philippines, Thailand, and the United States. "Developed Countries" refers to Australia, Canada, Japan, Korea, New Zealand, United States. "Developing Countries" refers to Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand. Respondents per country = 3. Source: Korea Development Institute, 1984.

TABLE 3. MEAN RANK SCORES BY RESPONDENTS FROM COUNTRY GROUPS:  
TRADE ISSUES SURVEY, PACIFIC BASIN.

ISSUE	RAW MATERIAL IMPORTERS	RAW MATERIAL EXPORTERS	DEVELOPED COUNTRIES	DEVELOPING COUNTRIES
1. GATT: Basic Principles				
2.67	1.08		2.13	2.29
2. GATT: Dispute Settlement				
1.83	2.21		2.27	2.10
3. GATT: Enforcement of Codes				
1.42	2.08		2.13	2.19
4. Dumping/Anti-Dumping Duties				
1.67	1.79		1.93	2.10
5. Subsidies and Countervail				
1.67	2.63		2.80	2.43
6. Safeguards				
2.25	2.57		2.73	2.45
7. VERs and OMAs				
2.17	2.63		2.87	2.52
8. Counterpart Trade				
2.50	1.88		1.80	1.76
9. Agriculture				
2.80	2.88		2.87	2.33
10. Natural Resource Trade Restraints				
2.33	2.40		2.58	2.57
11. Cartels for Primary Products				
2.67	1.54		1.27	1.67
12. Steel				
2.42	1.54		1.73	1.67
13. Full Partic. Developing Countries in GATT				
2.42	2.67		2.60	2.48

[cont.]

and accounts for the fact that overall the mean scores between the two groups were not significant in the services category. In any case, it is likely that in a serious discussion of negotiating priorities among the Pacific governments, the importance of services and technology trade to Japan and the United States would be recognized and given appropriate attention in consideration of reciprocal recognition by these two nations of the developing country priorities, e.g. improved access for processed and manufactured goods.

#### PACIFIC IMPORTERS VS. EXPORTERS OF RAW MATERIALS

Of the twelve economies represented in this survey, only four can be counted as raw material importers (Japan, Korea, Taiwan, and Singapore). Yet together they comprise an important market for raw materials within the region. It is possible that they could constitute a special group whose priorities do not match those of the raw material exporters. This appears to be born out in some instances in the survey. For example, in Table 4 a much stronger bias is shown by raw material exporters in support of the agricultural trade priority (#9) than by the importers. A similar pattern holds for natural resource trade restraints (#10). The reverse pattern appears in the areas of cartels for primary products (#11) and trade in steel (#12) where the importers are more concerned than the exporters. The importers of raw materials are similarly more concerned about trade in high technology (#17) and services (#18) than are the raw materials exporters, apparently since the former as a group are more uniformly dependent on these areas for their export earnings.

- "Macro": Offices with broad economic policy responsibilities that include trade.
  - \* Council of Economic Advisers [CEA]
  - \* Department of the Treasury
  - \* Office of Management and Budget [OMB]
- "Peripheral": Departments whose views are represented in inter-agency discussions on trade policy, but who are not as closely involved.
  - \* Department of Defense
  - \* Department of Energy
  - \* IDCA [AID]
  - \* Department of the Interior
  - \* Department of Labor
  - \* Department of Transportation
- "Other": Independent agencies or offices with specialists or branches that may have an impact on trade policy formulation.
  - \* Congressional Budget Office
  - \* General Accounting Office
  - \* House of Representatives Subcommittee on Trade [Ways and Means]

\* International Trade Commission

\* Senate Trade Specialist

The results of the USG survey, summarized in Tables 7 and 8, indicate that the administration respondents agree that "Agriculture trade" (#9) is one of the highest priorities. Among the independent "Other" respondents, however, agriculture receives a lower rating, particularly as contrasted to its rating by the "Frontline" group. This may have been due to differing perceptions of how much can be realistically expected from negotiations in agriculture trade. As one of the "Other" group said, "I don't think we should break our heads against a rock on this one when we could break our heads against the rock on some other issues." A similar diverse set of views related to "realistic expectations" may account for the high standard deviation of the "Frontline" rating in the area of VERs and OMAs (#7). Commerce argued, for example, that "it's not possible to negotiate anything meaningful on these" but Agriculture took the opposite view.)

The issues in Category VII. (high technology, services, investment regulations, counterfeiting) were generally rated lower by the "Peripheral" group than by those in the "Frontline." Explanations offered by the Peripheral group included, for example on services, "So we'd get better access for American Express in Japan. I don't feel terribly sorry for them [American Express] -- they won't employ our unemployed steel workers or textile workers. Everyone's waving the flag on this one and no one knows what they're talking about," and on high technology trade: "We must be realistic. Selling computers is not really going to help the general labor force."

Widely divergent views were expressed on the importance of GATT dispute

settlement (#2) in new negotiations. An Agriculture Department official observed that "dispute settlement is worthless. We've tried for 7 or 8 years to get a decision on wheat flour. We know the decision is in our favor and we know the Community will block the decision. We view the dispute settlement as an exercise in futility and a drain on the government budget -- all those trips to and from Geneva." By contrast, another respondent noted that "the more it [dispute settlement] operates, the less likely we'll be to resort to bilateral arrangements."

Differences occurred as well on the issue of structural adjustment policy (#16). Some of the low ratings given by the "Frontline" group can be explained in part by the comment from the Commerce Department, "It's a question of domestic policy; not international negotiation." CEA, on the other hand, suggested that it was better addressed "through the subsidies code, dumping, etc." Treasury too wished to tie the issue to something else like safeguards: "If it's put forward as an issue by itself, we'd fight it. It's a developed country 'give' concept." Examples of the high rating for this issue come from ITC ("the first priority should be given to the workers; the firms that undergo structural adjustment.") and CBO ("structural adjustment policies and subsidies are the linchpins of transparency.").

The generally low rating among the groups for the issue of steel trade (#12) ranged from a view from a Congressional staffer that if it were given too high a priority "that would be the same as an MFA for steel," to the Agriculture comment: "I'd hate to see Korea's access to this market crimped too much, though I suspect there's some unfair practices going on. Our own steel industry is far behind the times."

Trade-related investment regulations (#19) were viewed much more favorably for GATT consideration by the Macro group, especially Treasury, than by the Frontline

group. In the same connection, Treasury also gave a high ranking to the issue of full participation of the developing countries in the GATT (#13). However, a member of the House Ways and Means staff concluded: "Yes, it's a very desirable goal. But what are we willing to give up? MFAs? OMAs? Steel? If we're interested in getting progress on high-tech and services, then we have to be willing to give up some things dear to our hearts. I wouldn't be willing to skew our priority list for the sake of getting all nations to participate."

Finally, the majority of respondents interpreted the "Access to low-penetrated developed country markets" (#21) as aimed at Japan, but most suggested that this was better handled as a bilateral issue.

TABLE 6. MTN ISSUE MEAN SCORES BY USG RESPONSE GROUPS.  
BASED ON INFORMAL SURVEY, NOV. - DEC. 1984

	ALL	FRONT/MACRO PERIPHERAL	FRONTLINE	MACRO	PERIPH	OTHER
<b>I.</b>						
1. GATT: Basic Principles						
M	2.1	2.4	2.5	2.7	2.2	1.4
SD	1.5	1.6	1.9	1.5	1.6	0.9
2. GATT: Dispute Settlement						
M	3.1	3.1	3.0	4.0	2.7	3.0
SD	1.6	1.4	1.6	1.0	1.5	2.0
3. GATT: Enforcement						
M	2.7	2.5	2.5	3.0	2.2	3.4
SD	1.7	1.6	1.9	2.0	1.6	1.7
<b>II.</b>						
4. Dumping/Anti-Dumping Duties						
M	2.4	2.6	2.5	1.7	3.2	1.8
SD	1.5	1.6	1.7	1.2	1.6	1.1
5. Subsidies and Countervail						
M	3.7	3.8	3.5	4.3	3.8	3.4
SD	1.6	1.4	1.9	1.2	1.3	2.2
6. Safeguards						
M	3.8 *	3.8	4.0	5.0 *	3.2	3.8
SD	1.5	1.4	1.2	0.0	1.6	1.8
<b>III.</b>						
7. VERs and OMAs						
M	3.4	3.2	3.0	4.3	2.8	3.8
SD	1.8	1.8	2.3	1.2	1.7	1.8
8. Counterpart Trade						
M	2.4	2.5	1.5	2.0	3.3	2.2
SD	1.4	1.3	1.0	0.0	1.4	1.8
<b>IV.</b>						
9. Agriculture						
M	4.2 *	4.3	5.0	5.0 *	3.7	3.8
SD	1.2	1.3	0.0	0.0	1.6	1.1
10. Natural Resource Trade Restraints						
M	2.1 **	2.3	2.5	3.5	1.7	1.5
SD	1.3	1.4	1.0	2.1	1.2	1.0

TABLE 6. (CONT.)

	ALL	FRONT/MACRO	FRONTLINE	MACRO	PERIPH	OTHER
--	-----	-------------	-----------	-------	--------	-------

IV.

## 11. Cartels for Primary Products

M	1.8 *	2.2	2.0	1.0 *	2.7	1.0
SD	1.6	1.8	2.0	0.0	2.0	0.0

## 12. Steel

M	2.4	2.5	2.5	2.7	2.3	2.2
SD	1.4	1.6	1.9	1.5	1.6	1.1

V.

## 13. Full Partic. Developing Countries in GATT

M	3.4	3.8	4.0	4.3	3.3	2.6
SD	1.5	1.3	1.2	1.2	1.5	1.7

## 14. Generalized System of Preferences (GSP)

M	1.8	1.9	1.5	1.3	2.5	1.4
SD	1.1	1.2	1.0	0.6	1.4	0.9

## 15. Multi-Fibre Arrangement (MFA)

M	2.8	2.7	2.5	3.7	2.3	3.0
SD	1.7	1.8	1.9	2.3	1.6	1.4

VI.

## 16. Structural Adjustment

M	3.0	2.5	2.0	2.3	3.0	4.2
SD	1.8	1.6	1.2	1.2	2.2	1.8

VII.

## 17. Trade in High-Technology

M	3.4	3.2	4.0	2.3	3.2	3.8
SD	1.7	1.6	1.2	2.3	1.6	1.8

## 18. Trade in Services

M	4.1	3.9	4.5	4.3	3.3	4.6
SD	1.4	1.5	1.0	0.6	2.0	0.9

## 19. Trade-Related Investment Regulations

M	3.8	3.5	3.0	4.3	3.5	4.6
SD	1.3	1.3	1.6	1.2	1.2	0.9

## 20. Counterfeiting

M	3.2	2.9	3.0	4.0	2.3	3.8
SD	1.6	1.6	1.6	1.0	1.6	1.8

VIII.

## 21. Access: Low-Penetrated Developed Markets

M	3.6	3.8	3.5	4.3	3.8	2.8
SD	1.7	1.5	1.9	1.2	1.5	2.0

FRONTLINE = USTR, Agriculture, Commerce, State

MACRO = Council of Econ. Advisors, OMB, Treasury

PERIPHERAL = Defense, Energy, Interior, Labor, Transportation, AID

OTHER = ITC, CBO, GAO, House Ways and Means, Senate Trade Staff

----- \* = missing case (1); \*\* = missing cases (2)

M = mean; SD = Standard Deviation , Based on: High = 5, Medium/High = 4, Medium = 3, Medium/Low = 2, Low = 1.

TABLE 7. PRIORITY ISSUES BY USG RESPONSE GROUPS.

BASED ON INFORMAL SURVEY, NOV. - DEC., 1984.

GROUP	ISSUES IN RANK ORDER
ALL	1. Agriculture, 2. Services, 3. Safeguards(*), 3. Trade-Related Investment(*), 4. Subsidies
ALL EXCEPT "OTHER"	1. Agriculture, 2. Services, 3. Subsidies(*) 3. Low-Penetrated Developed Country(*)
FRONTLINE	1. Agriculture, 2. Services, 3. Full Participation of Developing Countries(*), 3. High Technology Trade(*)
MACRO	1. Agriculture(*), 1. Safeguards(*), 2. Low- Penetrated Developed Country Markets, 3. Full Participation of Developing Countries(\$), 3. Services(\$), 3. Subsidies(\$), 3. Trade- Related Investment(\$), 3. VERs & OMAs(\$)
PERIPHERAL	1. Low-Penetrated Developed Country Markets(*), 1. Subsidies & Countervail (*) 2. Agriculture 3. Trade-Related Investment Regulations
OTHER	1. Trade-Related Investment Regulations(*), 1. Services(*), 2. Agriculture(\$), 2. Counterfeiting(\$), 2. High-Technology Trade(\$). 2. Safeguards(\$), 2. VERs and OMAs(\$)

KEY:

FRONTLINE = U.S. Trade Representative, Commerce, Agriculture, State.

MACRO = Council of Economic Advisors, OMB, Treasury.

PERIPHERAL = Defense, Energy, Interior, Labor, Transportation, AID.

OTHER = ITC, CBO, GAO, House Ways & Means, Senate Trade Staff.

(\*) and (\$) indicate ties among issues.

### APPENDIX III.

## A PROPOSED PACIFIC REGIONAL SATELLITE COMMUNICATIONS SYSTEM

Proposals for Pacific regional cooperation are by no means limited to matters of trade policy. It has been suggested, for example, that overlapping interests in improved telecommunications services in the Pacific Basin warrant an effort under U.S.-Japanese leadership to establish a regional satellite communications system.<sup>1</sup> Such a proposal complements suggestions for cooperation in trade areas, could be viewed as a special enhancement for regional trade in services, and would serve as a channel for Japan, as the leading purchaser and sponsor, to blunt U.S. criticism of its reluctance to use American-made satellites.

One of the more interesting proposals -- which shows no signs of being implemented any time soon -- would provide a "system A" service to remote areas and a "system B" service to major cities of the Pacific Rim. System A, shown in Fig. 1.1, would utilize small earth stations with 4-5 m diameter antennas. These would be placed within an oval beam broadcast (#6 in Fig. 1.1) from a geostationary satellite. The earth stations and their terminals would all be connected by VHF radios through a set of "spot beams" from the satellite (1-5 in Fig. 1.1). TV and radio broadcasts over this system would be possible as well.

System B would utilize high speed digital communications equipment to connect the major cities through the beams shown (11-17). These signals would carry video conference and large-volume data traffic. According to a Japanese estimate, the

---

1. Research Institute of Telecommunications and Economics [Japan], "A Study on the Pacific Regional Satellite Communications System," January, 1983. 61 pp. mimeo.

volume of traffic by 1994 would occupy not one but two Pacific geostationary satellites for this purpose. However, traffic volumes are difficult to measure for any particular technology, particularly when optical fiber cables will become an increasingly competitive option for use in international telecommunications. Also, any plans for a regional satellite project would have to take into account the increasing prospect of deregulated private sector competition in this area.

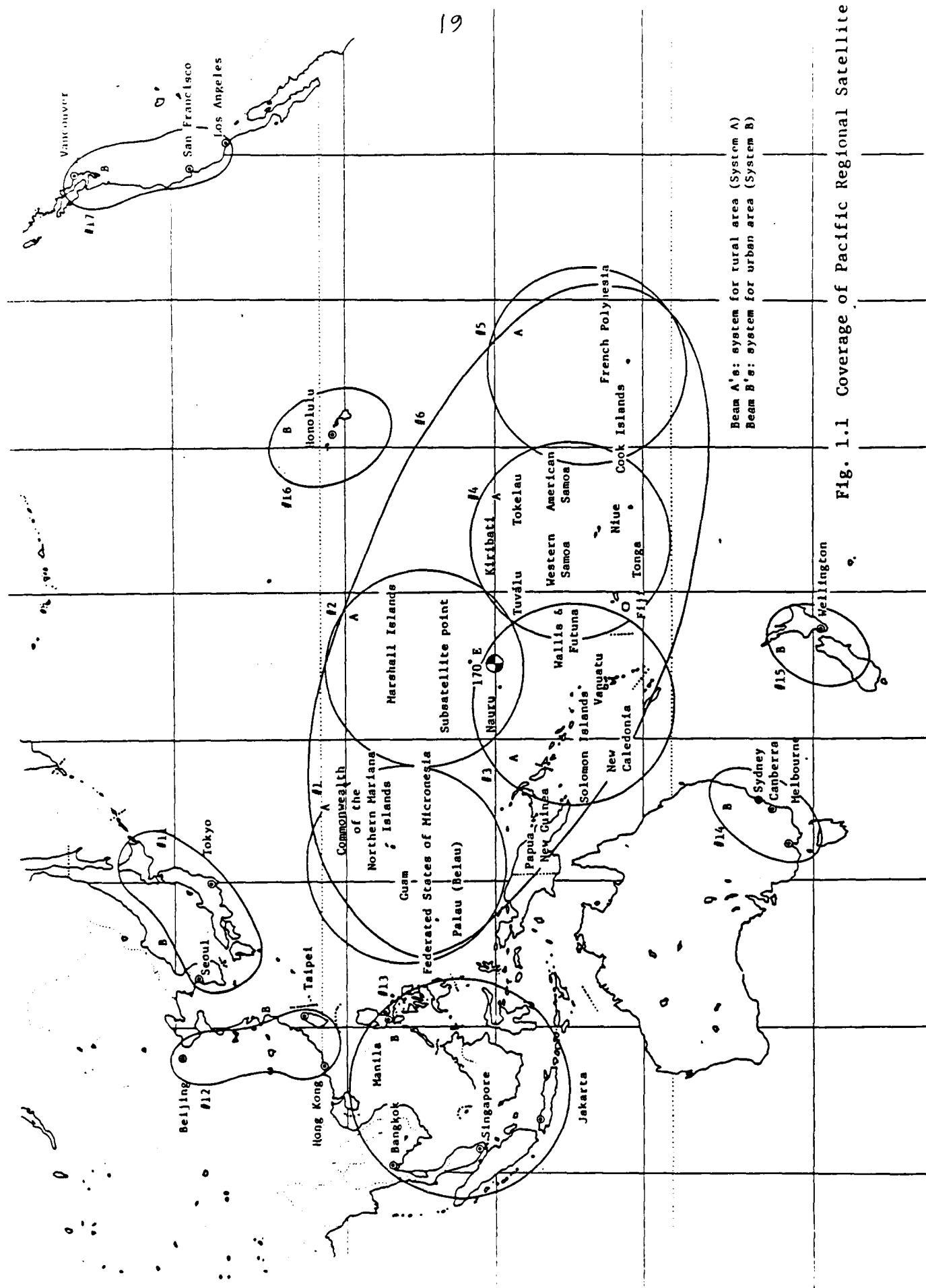


Fig. 1.1 Coverage of Pacific Regional Satellite

#### APPENDIX IV.

#### PROBLEMS AREAS/DEFICIENCIES IN THE PRESENT "INSTITUTIONAL/ FORUMS" SYSTEM OF MINERALS AND ENERGY COOPERATION.

##### INTRODUCTION

This paper focusses on a number of constraints to cooperative action in the minerals and energy field within the Pacific region. The aim of identifying these constraints is to highlight the type of cooperative action that a Pacific Minerals and Energy forum could sponsor without duplicating existing activities and which accommodates the characteristics and needs of the Pacific region itself.

The general type of constraints that apply to all cooperative endeavours (lack of common interests amongst the membership, too large a membership and inefficient coordination etc), and which can be found in a number of institutions serving the Pacific are not addressed in this paper.

In analysing uniquely "Pacific" deficiencies/constraints to cooperation it is necessary to recognise that such deficiencies are due in large part to the nature of the Pacific itself. In this regard it is noted a lot of the inhibition to effective cooperation that would reflect "Pacific regionalism" results from the Pacific being a diverse grouping of countries representing economies through the full range from developing to industrialising to industrial in structure. This is accompanied by the fact that the Pacific countries' common interests within the minerals and energy area are often represented by existing institutions that are global in nature and, (in some) commodity specific.

A Pacific Minerals and Energy Forum therefore would need to accommodate the fact that many Pacific nations will continue to see a range of specific interests accommodated within existing institutions even though these institutions do not "promote" the interests of the Pacific as a whole.

Such membership would, at times, also constrain Pacific countries from taking independent positions on a range of issues relevant to the Pacific region.

The majority of the existing intra-regional cooperative agencies and institutions dealing with minerals and energy are also heavily biased toward the provision of aid programmes for developing countries within the region.

Bearing the above factors in mind, it is possible to identify three main "gaps" in existing intraregional economic cooperation in minerals and energy in the Pacific that could be taken up by a PECC Minerals and Energy Forum:

- Facilitating cooperation requested by Pacific countries whose requirements are for more commercially oriented assistance relevant to "industrialising countries" rather than the more traditional type of aid provided to developing countries.
- Enhancing Government/industry dialogue within the Pacific region.
- Identifying the various forms of developmental aid requirements of individual countries in cooperation with existing Pacific "aid" institutions given the diverse requirements of developing countries in the region.

#### THE CHANGING NEEDS OF INDUSTRIALISING COUNTRIES WITHIN THE PACIFIC REGION.

The Pacific region includes countries with varying economic structures. In particular, industrialising countries, that is, countries that have developed their economic base beyond the traditional developing country stage are a strong feature of the Pacific region. The bulk of existing cooperative assistance in the minerals and energy field within the pacific region, however, is oriented to the needs of developing countries in the form of "aid" assistance and is usually by inter-governmental arrangement (ie Government to Government arrangement) through existing institutions whose members are confined to national Governments.

The assistance that the industrialising countries are increasingly requesting, however, is not "aid" in this traditional sense. Rather, cooperation of a commerical nature is sought such as technology transfer (including general technical assistance and workforce

training in minerals extraction, handling and consumption) and information on such things as minerals processing and mining. Some of the recipients can be expected to wish to pay their own way in any requested cooperative arrangement of this kind.

The essential question is how this cooperation can be administered and financed. Cooperation of this type is commercial in orientation and has up to now been limited to bilateral contact between individual countries (given the lack of an existing institutional framework to handle such cooperation) and commercial investment (ie foreign investment). Commercial investment has and will no doubt continue to play by far the most significant role in facilitating technology transfer in the region. Bilateral cooperation (meaning in most cases cooperation between individual Governments) has, however, been limited given the restrictive criteria under which assistance is allocated. In other words many of the commercially oriented proposals do not qualify for bilateral assistance because (invariably) Government sponsored assistance has restrictive eligibility criteria attached to it that preclude anything but provision of aid applicable to developing country needs.

A Minerals and Energy Forum could serve a useful function in that its composition is to be drawn from Governments, industry and academic institutions. It would have the advantage of distancing such cooperation from "traditional aid" type funding (and its restrictive eligibility criteria) and enable development of a framework for handling applications and administering programmes for all countries in that region.

The framework that a Minerals and Energy Forum could develop would need to recognise the specific (and unique) needs of industrialising countries, the fact that such assistance is commercial in orientation and can often only be provided through industry (ie often private enterprise), and that within the Pacific region Governments have only a limited capacity to provide such assistance unless business enterprises agree to cooperate.

## GOVERNMENT-INDUSTRY DIALOGUE

As highlighted within the previous section the needs of industrialising countries within the Pacific region are not being maximised in the area of direct assistance because of the lack of a vehicle through which commercial cooperation can be undertaken. This is of wider and more general importance to all Pacific countries. The majority of cooperative institutions worldwide including those servicing the Pacific area do not concentrate on commercial requirements/needs of business ventures. It is true that within many cooperative institutions, particularly commodity groupings, industry is represented (on national delegations and the like) by industry representatives, usually as observers. Essentially, however, "national interest issues" dominate their activities including those that lend themselves to cooperative effort. This can often result in preventing company or commercial issues that cut across national boundaries being at the forefront of the deliberations of these institutions.

There are two important consequences to this "gap" in cooperative efforts within the region. The first is a potential reduction in effective communications between Governments and industry within the region and the second is a lack of information on what is blocking/hindering development of commercial activity. Both could result in part from a shortage of some relevant information on the needs and requirements of the commercial or business sector within the region.

A Minerals and Energy Forum could perform a useful liaison role between the Pacific's Governments and industry's efforts to enhance commercial development. In particular, a Forum can act to give a wider endorsement to ongoing bilateral discussions within the Pacific region.

On this basis a Forum could have the following aims and objectives in strengthening Government-Industry dialogue:

- . Enhance commercial contact with Government (particularly on matters relating to Government policy that business believes is hampering commercial development in the region)

- foreign investment related issues specific to the development of the minerals and energy sector, and the problems that producer countries have within the Pacific area on access to markets for processed commodities are issues which could be discussed within a Forum.
- .
  - Enhance understanding within the region on commercial policy and practices including facilitation of commercial contact between private companies operating in the region
    - such issues as long term access to traditional trade markets and better understanding/perceptions amongst contracting parties to trade agreements, (for example on their respective obligations toward long term contracts) are issues the Forum could address
    - facilitate identification of appropriate technology transfer between resource industries.
- .
  - Focus on and discuss global and regional marketing problems that impact on the Pacific's minerals and energy development and trade
    - identify common strategies where Pacific countries providing the same minerals/metals (and are therefore direct competitors) are being adversely affected by third country policies on trade (the potential impact on Pacific copper producing countries/companies of the recent action by US copper producers to restrict copper imports from Chile is an example of how a Forum can, through discussion, focus on a "Pacific consequence" of such action).

## COOPERATION WITH EXISTING PACIFIC AGENCIES PROVIDING MINERALS AND ENERGY AID.

Existing aid agencies/institutions within the Pacific region tend to reflect cooperative and developmental organisations worldwide. They are often sponsored by National Governments and have substantial secretariats and membership.

The Economic and Social Commission for Asia and the Pacific (ESCAP), which has a number of programmes/institutions operating in the minerals and energy sphere, CHOGRM and the South Pacific for Economic Cooperation (SPEC) are three leading examples of cooperative institutions that are involved in the minerals and energy sector. Other aid institutions include the World Bank, Asian Development Bank, the East West Centre and the South Pacific Commission (although many of their activities are coordinated through SPEC).

Most of these institutions are heavily involved in the provision of developmental aid and have structures and programs that aim to accommodate the widely disparate interests in the region and to provide some intraregional focus and applicability to these activities. For example, ESCAP's primary objective in the minerals and energy area is to provide assistance to its developing member countries in developing and managing their energy resources and capacity for mineral development on a systematic and comprehensive basis, and has three major energy programmes within its ambit. There is the Regional Energy Development Program (REDP) for Asian countries, Pacific Energy Development Programme (PEDP) for the smaller Pacific States with lesser energy planning capabilities (and linked with the South Pacific Bureau for Economic Cooperation), as well as a regional "Plan of Action on New and Renewable Sources of Energy (NRSE)".

ESCAP also administers similar minerals agencies including technical advisory services covering hydrogeology, geology etc, research-oriented investigations and training related to hydrocarbons, geothermal studies and investigations of the South Pacific's mineral potential.

CHOGRM's main regional activity in the minerals and energy field is undertaken by the "Commonwealth Regional Consultative Group on Energy". Australia and India have undertaken to implement a number of

energy demonstration projects (energy audits, alternative energy sources etc) within the region. The bulk of the funding for the group has been provided by Australia.

Beside the regional structures of CHOGRM and within ESCAP there is the South Pacific Bureau of Economic Cooperation (SPEC) which coordinates the "Pacific Energy Programme" (PEP). PEP is a set of independent but linked regional energy programmes run and funded by agencies including ESCAP, CHOGRM, EEC, Asian Development Bank, the East-West Centre and the South Pacific Commission. PEP is coordinated by SPEC to ensure complementarity of the various programmes.

Whilst it is clearly necessary for the various aid institutions to accommodate the diverse nature of the Pacific region's minerals and energy sector in the ways described above, it is also true that the problems (and solutions to the problems) within this sector are changing rapidly particularly in the Pacific region. The prospects for minerals and energy development are affected not only by the changing economic circumstances within individual countries of the region, but by significant outside influences such as oil crises, potential for new crises and rapidly changing technological developments.

A Minerals and Energy Forum with its membership derived from Government, business and academia would be well placed to assist existing institutions identify the potential impact on the region's minerals and energy sector of global developments (such as potential oil crises), resulting in changed demand for the region's minerals and the region's own energy requirements and therefore help facilitate any necessary priority reordering of regional aid.

**END**

**FILMED**

**5-85**

**DTIC**